

**WORLD**COM

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September 17, 2001

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARYHand DeliveredMs. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554Re: EX PARTE -- CC Docket No. 01-138; Application of Verizon Pursuant to  
Section 271 of the Telecommunications Act of 1996 to Provide InterLATA  
Service in Pennsylvania

Dear Ms. Salas:

This ex parte submission is to alert the Commission to serious billing problems with the August Verizon bills for UNE-P in Pennsylvania, as well as to respond to various Verizon ex partes on the subject of billing. These problems were discussed with the Common Carrier Bureau on Friday, September 14, 2001. The Bureau requested additional information which is set forth below.

Specifically, August bills reveal a lack of adequate identifying information with respect to charges and credits. There are two ways Verizon identifies charges and credits depending on the nature of the bill: purchase order numbers ("PONs") and billing telephone numbers ("BTNs"). In the August bill, a significant percentage of PONs were missing and a lower but still troublesome percentage of BTNs were missing. Although both problems are significant, it is clear that the extent of the missing PON problem is so significant it warrants Commission rejection of this application for 271 authority until this and other billing problems are fixed and retested through credible third party testing or commercial CLEC experience.

This latest problem is the most recently discovered in a long chain of billing problems that have existed since Verizon filed its application for 271 authority. Throughout the 90 day review period, Verizon has made claims of fixes on certain issues, addressing various problems at various times requiring competitors to chase a moving target of billing problems. There is no way to assess the commercial viability of billing under such a scenario. WCOM urges the Commission to reject this application and order Verizon to refile only when it has fixed its billing problems and those fixes are credibly verified.

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This letter addresses most urgently the missing PON problem identified by WCOM in its review of the August bill. It also responds to the latest in a series of ex partes filed by Verizon alleging fixes to various billing problems discovered by competitors and regulators throughout this 90 day process. The latest Verizon ex partes are factually incorrect and attempt to persuade the FCC that WCOM is wrong about the extent of billing problems in Pennsylvania. Verizon even attaches a self serving report by consultants retained by Verizon, with the apparent hope that this report would replace credible third party testing and commercial experience. Even the report itself makes clear, as explained below, that it does not stand for the accuracy of any of the Verizon alleged billing fixes. In sum, Verizon's latest ex parte is a continuation of the "he said, she said" game that led regulators across the country since the passage of the Telecom Act to require and endorse credible third party testing to assess the commercial viability of OSS. Self-certification of BOC OSS is no certification at all.

WCOM urges the FCC to insist on credible third party testing of Verizon's electronic billing and actual commercial experience to show that billing works, but in the meantime, the following discussion addresses the problems that exist with the August, 2001, UNE-P bill, and responds to recent Verizon ex partes.

**August Bill.** WorldCom's audit of its August UNE-P bill, which was completed on Wednesday, September 12, revealed a number of problems with that bill.

- Based on a random sample of 1028 entries in the Other Credits and Charges ('OCC') section, 94% of the purchase order numbers ('PONs') are missing. A statistically valid sampling may produce a lower percentage but still a significant one. Without a PON, WorldCom sees a charge or credit but does not know the order to which the charge or credit is supposed to relate. It therefore cannot even determine whether the charge or credit relates to a bill for a legitimate WorldCom customer, much less compare the charge or credit against the amount WorldCom expects to receive for a particular customer.
- The charges and credits in the Other Charges and Credits section of the bill continue to be listed as lump sums for each PON. Thus, there is no way to determine, for example, whether a particular credit is intended to compensate WorldCom for erroneous port charges, erroneous late payment charges or some other erroneous aspect of prior bills. This makes it impossible to determine the accuracy of the charges and credits. As will be discussed below, this is one reason WorldCom is unable to determine from the bills whether Verizon is properly crediting WorldCom for port charges.
- Based on a random sample of 2,370 entries in the Customer Service Record ('CSR') section of the bill, 1.4% of the records are missing billing telephone numbers ('BTNs'). A statistically valid sample is likely in this instance to produce a higher percentage of missing BTNs. BTNs service the same function, in the CSR section of the bill, that PONs do in the OCC section of the bill.

- The August bill continues to include a small, but erroneous, charge for taxes, emphasizing the apparent difficulty Verizon has experienced in fixing problems with its bills.

In addition to problems that exist on the August bill, WorldCom is concerned that prior problems have not been entirely resolved. Verizon's discussion of those problems in its *ex parte* letters does not refute the existence of these problems.

**Late Payment Charges.** Until July, Verizon repeatedly charged WorldCom hundreds of thousands of dollars in late payment charges.

**Verizon Assertion:** Verizon asserts that "WorldCom has not paid its bills [prior to April] despite the fact that it knows from its own records that, *at a minimum*, the vast majority of these charges are appropriately owed to Verizon." September 10 *ex parte* letter at 3 (emphasis in original).

**WorldCom Response:** This is simply false. WorldCom has paid all of its UNE-P bills with the exception of legitimate billing disputes that it has raised regarding particular bills. Verizon should be fully aware of this. On June 19, 2001, Verizon transmitted a letter claiming that WorldCom owed Verizon \$18,340,519.35 on its Pennsylvania bills, including \$17,556,175.89 for UNE-P. Verizon appeared to arrive at this amount by summing the amounts WorldCom had previously not paid on UNE-P bills as a result of billing disputes, along with the full amount of the May UNE-P bill. After making this calculation, Verizon's June 19 letter stated that "[i]f full payment is not received within thirty (30) calendar days of this letter to satisfy the past-due balance noted, all accounts within the state of Pennsylvania are subject, without further written notice to refusal of additional orders, refusal to complete any pending orders, and/or discontinuance of service." After receipt of this letter, WorldCom met with Verizon and explained that, with respect to the UNE-P bill, the "outstanding" amount owed consisted of (1) legitimate billing disputes that WorldCom had raised, and (2) the May UNE-P bill, which WorldCom had not yet paid at the time of Verizon's letter because Verizon's manager had agreed that WorldCom did not need to pay while it was trying to work out the port charge issue with Verizon. WorldCom thus explained that Verizon had no basis for claiming that WorldCom must immediately pay the disputed amounts before the disputes were resolved. Verizon agreed not to cut off WorldCom's service while it considered these disputes. It did not then claim—and has no basis for now claiming—that the disputes were illegitimate. With the exception of these disputes, WorldCom has paid its UNE-P bills.

**Verizon Assertion:** "As of June 26, Verizon exempted WorldCom from late payment charges while we work through other issues with them. As a result, late payment charges did not appear on WorldCom's July bill." September 10 *ex parte* letter at 3.

**WorldCom Response:** WorldCom is pleased that no late payment charges appeared on its July (or August) bill. But given Verizon's past actions, there is no assurance that Verizon will continue to refrain from assessment of late payment charges once its section 271 application is resolved.

**Formatting Problems.** Prior to May and the final bill before Verizon submitted this section 271 application, there were countless formatting problems on WorldCom's bills rendering them inauditable. Under the complete-when-filed rule, there is no doubt that Verizon had not shown its ability to provide adequate bills at the time of filing. Even after filing, the June UNE-P bill Verizon transmitted and the July facilities bill had formatting problems that prevented them from loading in WorldCom's systems.

**Verizon Assertion:** Verizon fixed the problem with the blank field for the Facility Charge Type indicator on August 3, and WorldCom was able to read the bill in any event. August 17 *ex parte* letter.

**WorldCom Response:** Verizon discusses only the formatting problem with the July facilities bill, not the June UNE-P bill. Its claim that it fixed a formatting problem in August only underscores Verizon's failure to submit an application that was complete when filed and to provide acceptable bills for several billing cycles—the time period Verizon's own expert previously stated was needed to show its billing processes are ready. Such formatting problems force WorldCom to manually fix the bills on its side, or, as was often the case prior to Verizon's application, preclude WorldCom from auditing the bills at all.

**Retransmission of Bills.** As a general matter, Verizon, unlike other ILECs, refuses to retransmit bills that have formatting problems or other errors. This has been true of many bills. As WorldCom has previously explained, for example, Verizon was unwilling to re-transmit the April UNE-P bill, which was missing critical information needed to audit the bill.

**Verizon Assertion:** Verizon re-transmitted the July facilities bill on August 3. September 10 *ex parte* letter at 3.

**WorldCom Response:** Verizon's decision to retransmit one particular bill says nothing about the general problem. Verizon does not even commit to retransmitting future bills when formatting problems exist with those bills.

**Failure to Transmit Some Bills at All.** In its billing *ex parte* letter, WorldCom explained that Verizon had failed to transmit some bills (April 1, May 22, July 1) altogether.

**Verizon Assertion:** Verizon provided the April and May files on June 19 and July 17. It provided the July 1 file on July 13. August 17 *ex parte* letter.

**WorldCom Response:** This is not so, as WorldCom explained to Verizon when Verizon called concerning the trouble ticket WorldCom had opened. Although WorldCom finally received the April bill on July 17, it did not receive the May 22 bill until September 5 and did not receive the July 1 bill until September 14. Not only were these bills exceptionally late, but Verizon's failure to recognize that it had not transmitted these bills—even after being told of the problem on several occasions by WorldCom—suggests a deeper problem.

**Port Charges:** Verizon credits WorldCom incorrectly for port charges and does so in a manner that is impossible to discern. Indeed, this is part of a larger problem. Verizon lists credits on the bill without providing any means of determining what those credits are for.

**Verizon Assertion:** Verizon states it has issued credits to WorldCom for the difference between full-featured ports and lesser featured ports and that PricewaterhouseCoopers confirms this. September 17 *ex parte* letter at 2.

**WorldCom Response:** The credits that appear on Verizon's bills are not broken out between port charge credits and other credits. Thus, there is no way to determine how much Verizon is crediting WorldCom for port charges—as WorldCom has previously explained. It is therefore entirely unclear how PricewaterhouseCoopers could have determined that Verizon was providing port charge credits. Moreover, PricewaterhouseCoopers does not claim that it determined that the credits Verizon issues are accurate; it does not claim that those credits are for the correct amount in relationship to the number of port charges that were ordered. The separate letters Verizon has provided WorldCom regarding port charges show that Verizon is not crediting WorldCom for each port it has ordered.

**Verizon Assertion:** WorldCom's argument that it is being overcharged is misleading as WorldCom orders ports with Three-Way Calling that are not entitled to the lower port charge. September 10 *ex parte* letter at 2.

**WorldCom Response:** Verizon misses two points.

(i) WorldCom is not ordering three-way calling and expecting to pay the lower port charge. If a WorldCom customer wants three-way calling, WorldCom sends the Universal Service Ordering Code ("USOC") for three-way calling separately.

(ii) Verizon's contention is not responsive to WorldCom's claim that it cannot determine how many ports were credited from the bills, and that Verizon's letters stating how many ports have been credited understates the number of ports WorldCom has ordered. Moreover, Verizon's assertion is not responsive, because Verizon states that it is crediting WorldCom on all ports regardless of whether they have 3-way calling.

**Verizon Assertion:** CLECs can now order lower priced ports. September 10 *ex parte* letter at 2.

**WorldCom Response:** Verizon has not provided WorldCom the 45 day notice it promised before implementing an ordering option for lower priced ports. In the meantime, Verizon continues to fail to properly credit WorldCom for port charges, and there remain significant disputes over past port charges.

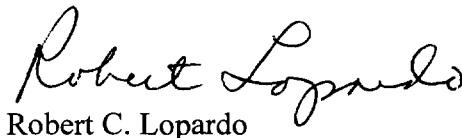
In short, Verizon submitted its application prematurely. Verizon submitted its application immediately after implementing a number of billing fixes that for the first time enabled CLECs to begin to audit Verizon's electronic bills, and has made ongoing adjustments and purported fixes during the 90-day review period. It did not wait to show that the bills were acceptable. Not surprisingly, each bill Verizon has transmitted has created a new set of claims

and counter-claims. Verizon should re-file its application after it has fixed its significant billing problems and those fixes have been verified not by Verizon self certification but by real commercial experience and third party testing. Indeed, the very data Verizon submitted in its August 17 *ex parte* letter demonstrate this. Verizon's data show far greater disputes in Pennsylvania than in New York for bills prior to the time of Verizon's application. And subsequent to the application, Verizon's data appear wrong—as WorldCom's prior *ex parte* letter shows, WorldCom alone submitted billing disputes in May and June that are greater than the total amount of CLEC disputes that Verizon lists for all CLECs in Pennsylvania.

\* \* \* \* \*

In accordance with section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, an original and one copy of this Notice are being filed with your office.

Sincerely,

  
Robert C. Lopardo

cc: Kyle Dixon, Matthew Brill, Paul Margie, Monica Desai, Dorothy Attwood, Jeff Carlisle, Robert Tanner, Brent Olson, Richard Lerner, Aaron Goldschmidt, Susan Pie James J. McNulty (PUC), Kelly Trainor (DOJ), Ann Berkowitz (by fax)